

Message Text

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ACTION XMB-07

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FM AMEMBASSY BUENOS AIRES

TO SECSTATE WASHDC 5126

UNCLAS BUENOS AIRES 2021

FOR EXIMBANK

E.O. 11652: N/A

TAGS: BGEN, AR

SUBJECT: FALL-OUT FROM 1972 SUSPENSION OF EXIMBANK FINANCING
IN ARGENTINA

1. COMPANIA NAVIERA PEREZ COMPANC - A VERY LARGE, WELL KNOWN
AND REPUTABLE FIRM - HAS A PROBLEM THAT APPEARS TO BE
AT LEAST PARTIALLY ATTRIBUTABLE TO THE DE FACTO SUSPENSION
OF EXIMBANK LENDING OPERATIONS IN ARGENTINA WHICH TOOK
PLACE IN MID-72 (STATE 83774 OF 12 MAY 72); AND THE EMBASSY
HAS BEEN ASKED TO ASSIST.

2. BACKGROUND AS FOLLOWS: PEREZ COMPANC NEEDED TO IMPORT A
SUBSTANTIAL AMOUNT OF OIL FIELD EQUIPMENT IN LATE 1972
FOR USE IN A SECONDARY RECOVERY PROJECT THAT IT WAS
CONDUCTING UNDER CONTRACT WITH YPF, THE STATE OIL CORPORATION.
PEREZ COMPANC AND ITS PARTNERS IN THE VENTURE HOPED TO
USE EXIMBANK FINANCING TO IMPORT NECESSARY EQUIPMENT, AND TWO
PRELIMINARY COMMITMENTS (NO.72-0-1413) WERE ISSUED IN MID-72.
HOWEVER, BECAUSE OF PROBLEMS EXISTING AT THE TIME, EXIMBANK
FINANCING WAS NOT FEASIBLE. EVENTUALLY THE EQUIPMENT WAS
PURCHASED AND IMPORTED WITH FINANCING FROM BANK OF AMERICA
AND INSURANCE FROM FCIA. ACCORDING TO PEREZ COMPANC, THE TIME
SPENT 1) IN ATTEMPTING TO MEET REQUIREMENTS OF PRELIMINARY
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COMMITMENTS AND 2) IN OBTAINING ALTERNATIVE FINANCING AFTER IT

BECAME APPARENT THAT GOA WOULD NOT PROVIDE A GUARANTEE ACCEPTABLE TO EXIMBANK AT THAT TIME, PREVENTED IT FROM FULFILLING ITS CONTRACTUAL OBLIGATIONS TO YPF. CONTRACT CONTAINED PENALTY CLAUSE, AND YPF IS NOW REQUESTING PENALTY PAYMENT FOR NON-COMPLIANCE. PEREZ COMPANC HAS TOLD YPF THAT UNFORESEEABLE DIFFICULTIES IN OBTAINING FINANCING CAUSED THE DELAY AND THAT IT SHOULD THEREFORE BE COVERED BY FORCE MAJEURE CLAUSE.

3. WE ARE TOLD BY PEREZ COMPANC THAT YPF ACKNOWLEDGES REASONABLENESS OF EXPLANATION AND THAT IT MAY, IF EMBASSY OR EXIMBANK PROVIDES A SUBSTANTIATING STATEMENT, BE WILLING DROP ITS REQUEST FOR PENALTY PAYMENTS.

4. ACTION REQUESTED: PLEASE AUTHORIZE US TO PROVIDE PEREZ COMPANC WITH FOLLOWING LETTER FOR YPF. QUOTE. IN RESPONSE TO YOUR RECENT REQUEST, I AM PLEASED TO CONFIRM THAT EXIMBANK ISSUED TWO PRELIMINARY COMMITMENTS, ONE ON 21 JUL 72 AND THE OTHER ON 17 AUG 72, FOR THE PROPOSED PURCHASE OF OIL FIELD EQUIPMENT VALUED AT APPROXIMATELY \$1.5 MILLION BY CIA NAVIERA PEREZ COMPANC, T IRRGEGLIAN EXPLORATION CORPORATION, AND CIA. PETROLERA ARGENTINA SAN JORGE. THESE COMMITMENTS OF EXIMBANK'S WILLINGNESS TO EXTEND FINANCIAL ASSISTANCE WERE GIVEN SUBJECT TO THE SAME TERMS AND CONDITIONS UNDER WHICH LOANS OR GUARANTEES WERE THEN BEING OFFERED TO OTHER PROSPECTIVE PURCHASERS IN ARGENTINA OF US EXPORTS OF GOODS AND SERVICES. THE EMBASSY AND EXIMBANK UNDERSTAND THAT YOU AND YOUR PARTNERS COULD NOT UTILIZE THE FINANCIAL SUPPORT THAT WAS OFFERED BY EXIMBANK BECAUSE IT PROVED IMPOSSIBLE TO MEET THE CONDITIONS, SPECIFICALLY THOSE RELATING TO THE REQUIREMENTS FOR THE GUARANTOR, OF THE PRELIMINARY COMMITMENTS. SINCE YOU COULD NOT UTILIZE THE FINANCIAL SUPPORT OFFERED BY EXIMBANK IN MID-72, THIS EMBASSY WAS PLEASED TO LEARN FROM YOU THAT PEREZ COMPANC WAS LATER ABLE TO OBTAIN ALTERNATIVE FINANCING AND THEREBY CONCLUDE THE PURCHASE OF THE OIL FIELD EQUIPMENT THAT YOU NEEDED. END QUOTE. HILL

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